CALIFORNIA PPN NETWORK

California PPN Industry Overview

National Low Chill Stonefruit Conference, April 28, 2010 Ballina, NSW

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California PEACHES • PLUMS • NECTARINES

Overview

- History of the California Tree Fruit Agreement (CTFA)
- Industry dynamics
- Export markets

History of CTFA

Background

- **What is CTFA?**
  - Marketing and research arm of the fresh California PPN industry (growers and packers)
  - Our organization represents over 900 growers who produce approximately 600 varieties of peaches, plums, and nectarines
    - What about pluots?
  - Season runs from end of April through end of October

Background

- **What is CTFA not?**
  - Not a sales agent
  - Not a cooperative
  - Not a breeder
  - Not a lobby
  - Not an entomologist

The Early Years

- **1933**
  - First Marketing Order ever established
  - Peaches, plums, pears, cherries, apricots and persimmons
  - Prorating supply – volume control, only control authorized
- **1934**
  - Due to padding “available estimates,” the allocation plan was abandoned
  - Minimum sizes and grades were established
  - 12,000 Growers

The Early Years

- **1935**
  - Quality Control established
  - Limited shipments of Elberta Peaches to 85% U.S. No. 1 Grade and prohibited sizes smaller than an 84
- **1938**
  - Referendum
    - Plums and Pears were not renewed
    - Peaches were approved, but could not stand alone
    - Office Closed

The Early Years

- **1939**
  - Due to price disaster in 1938, CTFA was re-established based on the Marketing Agreement Act of 1937

The Early Years

- **1949**
  - Changes to maturity regulations opposed by growers
    - The largest buyer of Elberta peaches attended meeting and stated, if standards are relaxed he will "guarantee there will never again be a Fresno peach deal"
    - Grade, Maturity, Color and Size regulations were established
  - Sales and promotion order was added under a state program

The Early Years

- **1958**
  - Nectarines were added to the Agreement for a total of 6 programs
    - 4 Federal – Plums, Pears, Elberta Peaches, and Nectarines
    - 2 State – Intrastate Controls and the promotion of Bartlett Pears

The Early Years

- **1987**
  - Many year's of litigation began
- **1991-94**
  - Plum order voted out, then voted back in
- **1996**
  - Bartlett pears opted to start their own program in Sacramento, and the current office in Reedley was established for PPN

Changes continue 75 Year's later…

- **2007**
  - Discontinued grower-funded mandatory inspection for size and quality
- **2008**
  - Discontinued retail promotion campaigns
- **2009**
  - Discontinued traditional advertising and consumer PR programs

The Future

- **2010 and beyond…**
  - Production research
  - Category management tools
  - Crisis Management
  - Export Market Development

Industry Dynamics

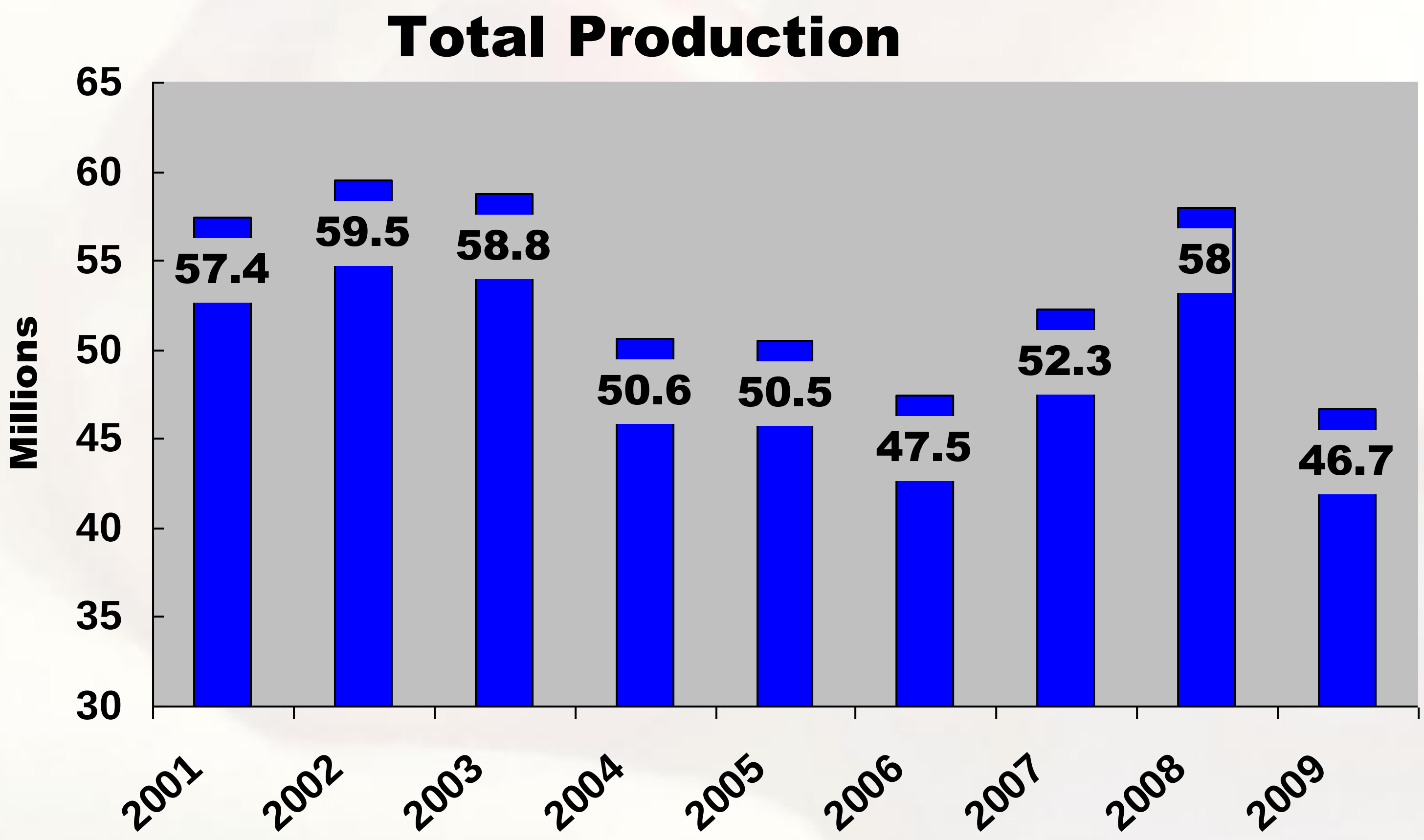
California


Yuba City
Auburn
Sacramento
Stockton
San Francisco
Modesto
Madera
Fresno
Visalia
Bakersfield
Wheeler Ridge
Palmdale
Los Angeles
San Diego

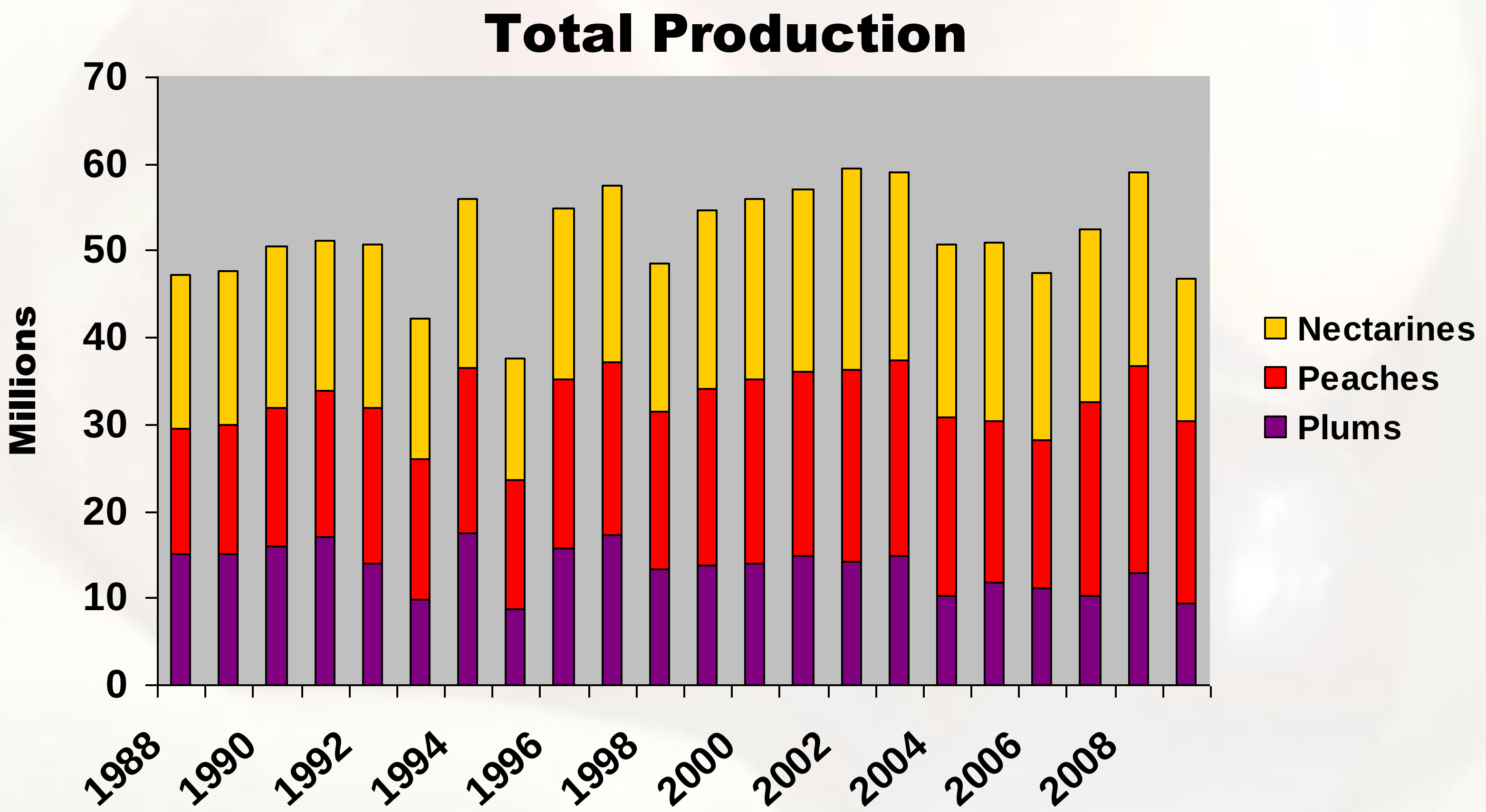
Production

- **California**
  - Produces 55% of U.S. fresh market peaches and 93% of nectarines and plums
  - 90% of California PPNs are grown in Fresno, Tulare, and Kern counties in San Joaquin Valley

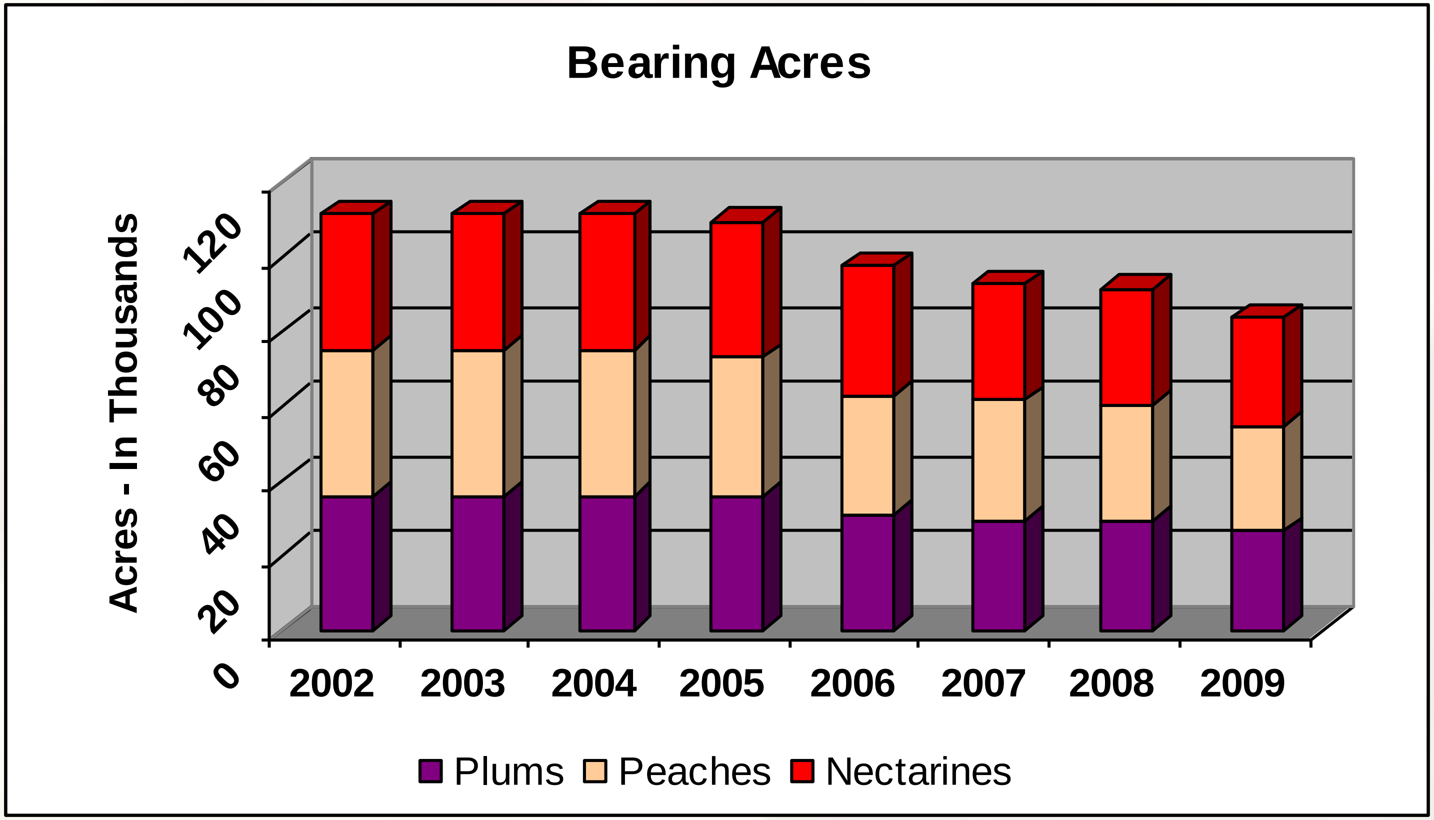
Industry Statistics



Industry Statistics

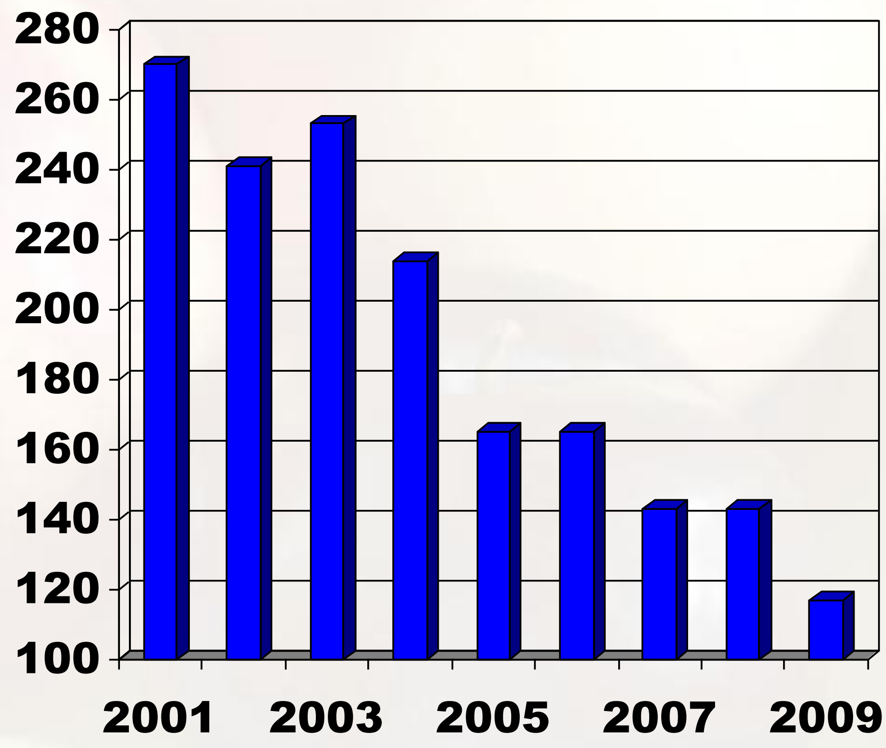


Industry Statistics



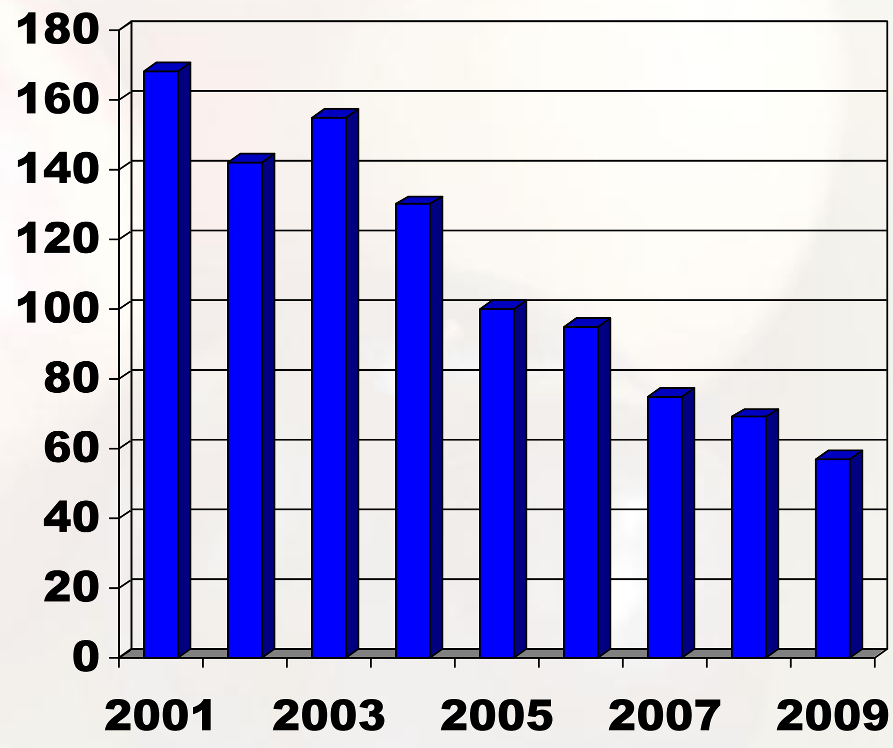
Industry Statistics

- Number of handlers is declining
  - 2001: 270
  - 2005: 165
  - 2009: 117



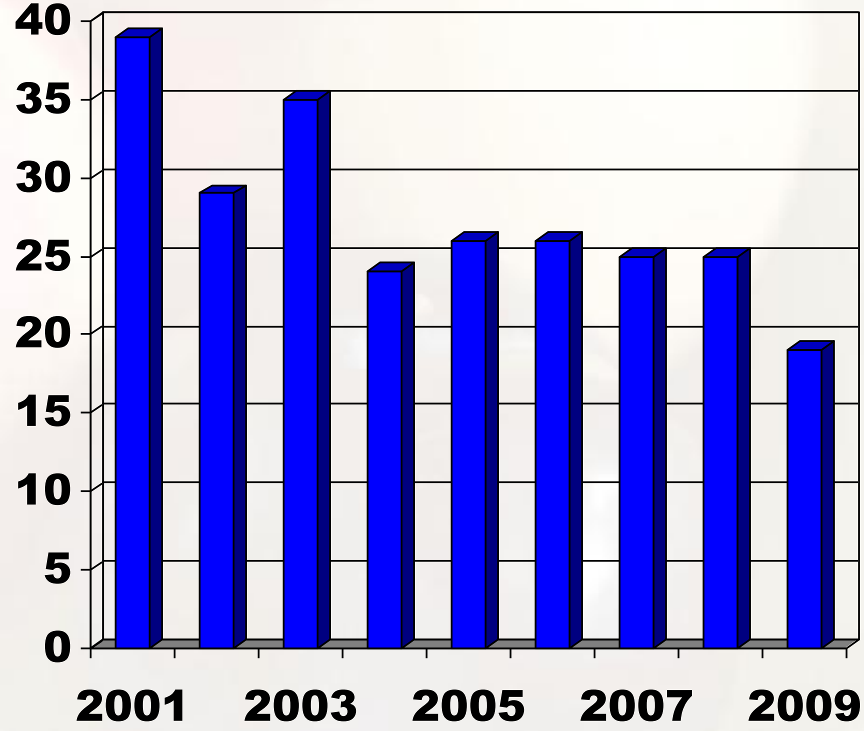
Industry Statistics

- Number of small size (under 50k) handlers is declining
  - 2001: 168
  - 2005: 100
  - 2009: 57



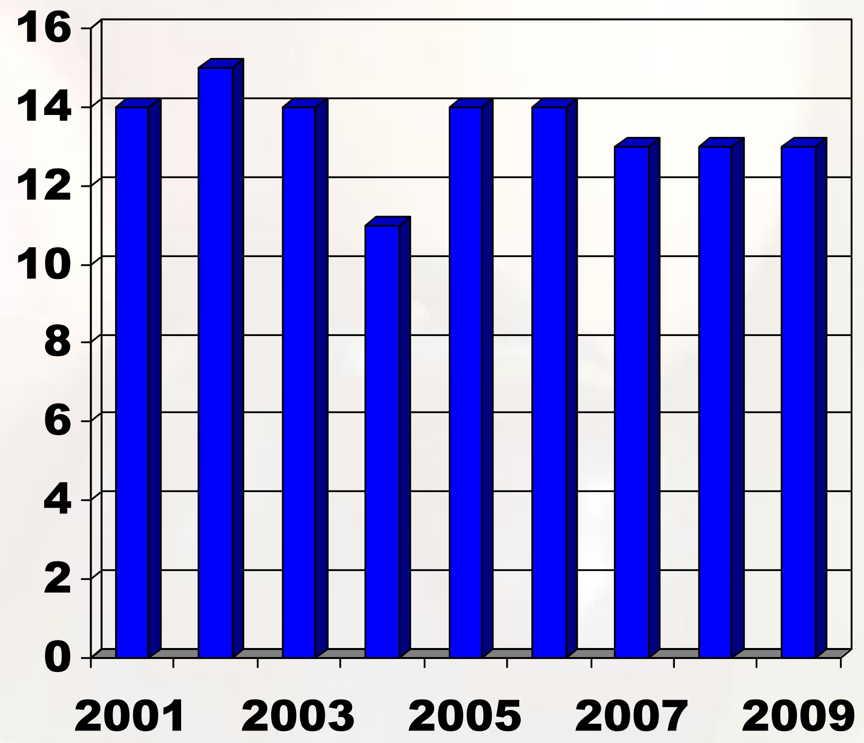
Industry Statistics

- Number of medium size (150k-500k) handlers declined
  - 2001: 39
  - 2005: 27
  - 2009: 19



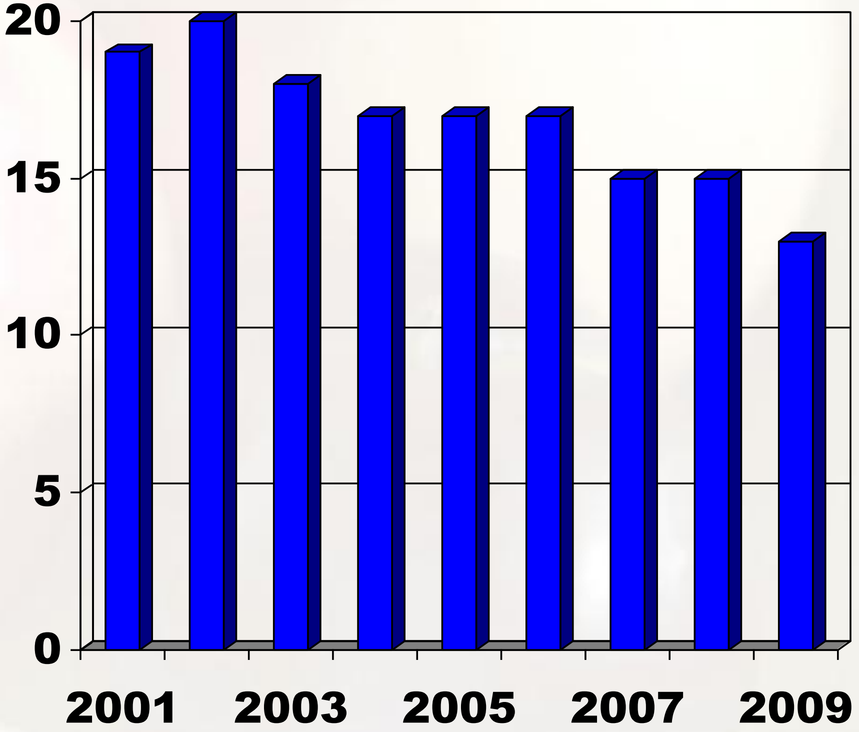
Industry Statistics

- **Number of mid/large size (500k-1MM) handlers has stabilized**
  - **2001: 14**
  - **2005: 14**
  - **2009: 13**



Industry Statistics

- Number of large (1MM box) handlers is fallen slightly
  - 2001: 19
  - 2005: 17
  - 2009: 13



Industry Statistics

- Percent of crop controlled by all but largest handlers is decreasing

	1999	2005	2009
– Small:	3%	~2%	~1%
– Small/Mid:	7%	~4%	~2%
– Medium:	26%	~14%	~12%
– Mid/Large:	23%	~17%	~17%
– *Large:*	*41%*	*~63%*	*~68%*

Export Markets

2009 Export Results

Total PPN Shipments			
Boxes	2008	2009	% Change
Mexico	2,961,302	1,994,220	-33%
Taiwan	2,628,879	1,591,407	-39%
Hong Kong	387,461	205,008	-47%
New Zealand	278,285	199,920	-28%
China	124,896	174,763	40%
Central America	208,420	145,796	-30%
Singapore	149,859	136,943	-9%
Colombia	203,876	113,696	-44%
Malaysia	100,286	61,944	-38%
Ecuador	55,323	39,947	-28%
United Kingdom	133,526	31,591	-76%
Panama	24,082	16,854	-30%
India	13,137	9,617	-27%
Venezuela	99,378	2,240	-98%
Grand Total	7,368,710	4,723,946	-36%

Critical Markets

Total PPN Shipments			
Boxes	2008	2009	% Change
Mexico	2,961,302	1,994,220	-32.7%
Taiwan	2,628,879	1,591,407	-39.5%
New Zealand	278,285	199,920	-28.2%

Peach Shipments			
Boxes	2008	2009	% Change
Mexico	1,815,826	1,168,417	-35.7%
Taiwan	775,478	619,075	-20.2%
New Zealand	43,790	35,287	-19.4%

Critical Markets

Nectarine Shipments			
Boxes	2008	2009	% Change
Taiwan	1,246,630	653,543	-47.6%
Mexico	534,555	344,799	-35.5%
New Zealand	162,593	116,618	-28.3%

Plum Shipments			
Boxes	2008	2009	% Change
Mexico	610,921	481,004	-21.3%
Taiwan	606,771	318,789	-47.5%
New Zealand	71,902	48,015	-33.2%

Mexico

- **Strategy**
  - Focus on retail cooperative promotions, expanded sampling, and increasing nectarine awareness
- **Recommendation**
  - Despite challenges in getting fruit to market, this continues to be industry’s most important market

Taiwan

- **Strategy**
  - Mature market with major implications for white-flesh returns
  - Build trade confidence with commitment to timely promotions at point of sale
- **Recommendation**
  - Maintain flexibility for mid- to late-season push with sales promotions at retail and wholesale level

New Zealand

- **Strategy**
  - Retail support is key to consistent market growth
- **Recommendation**
  - Continue to build innovative and custom retail programs to drive counter-seasonal impulse purchases

Australia

- **Background**
  - 2000: FTA finalized
  - 2006: BA/APHIS began work on US stone fruit
  - Autumn 2010: Final IRA Released*
  - Winter 2010: Maybe some trial shipments?

Australia

- **Objective**
  - Encourage Australian consumers to purchase summer fruit in the middle of winter that has been on a boat for 21 days

Australia

- **Envisioned success**
  - To consistently deliver safe, healthy, delicious PPN from California to Australian consumers when there are no local alternatives
- **How do we get there?**
  - Build upon the relationships developed over many years between Australian and California stone fruit growers

Thank you

- **Questions?**

- **Contact info:**

Gordon Smith
Director of Marketing, CTFA
975 I Street, Reedley, CA 93654 USA
Phone: +1559 638-8260
Email: gsmith@caltreefruit.com